SUMMARY OF NO. 13-29

This proposed law would regulate the annual operating margins and chief executive officer (CEO) compensation of certain health-care facilities, including Massachusetts hospitals, that accept funds from the state, but not including rehabilitation or long-term care facilities.

The proposed law would impose a civil penalty on a hospital or other covered facility whose patient mix is less than 60 percent government payer for any fiscal year in which its operating margin, including amortization and depreciation, is over 8 percent. The penalty would equal the amount by which the operating margin exceeds 8 percent.

The proposed law would also impose a civil penalty on a hospital or other covered facility if its CEO receives annual compensation, including salary, bonuses, and benefits, that is more than 100 times greater than the annual compensation paid to a full time employee earning minimum wage, or if none, then the lowest-paid full time employee. The penalty would equal the amount by which the CEO’s compensation exceeds 100 times the compensation earned by the employee earning minimum wage or the lowest-paid employee.

Any such penalties would be placed in a new state Medicaid Reimbursement Enhancement Fund established by the proposed law. Subject to appropriation by the state Legislature, amounts in the fund would be used to improve Medicaid reimbursement to eligible hospitals.

The proposed law would require the state Health Policy Commission to issue regulations governing the proposed law's operation and enforcement. The proposed law would take effect on July 1, 2015, but would not override any contract or agreement in effect on that date. The proposed law states that if any of its parts were declared invalid, the other parts would stay in effect.